

## Message Text

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PAGE 01 BRUSSE 06836 291708Z

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 AID-05 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 FEA-01 FTC-01 EA-10 /110 W

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R 291518Z JUL 75

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 4553

INFO AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

CONGEN ANTWERP 629

UNCLAS BRUSSELS 06836

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, BE

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS -- BELGIUM

REF: (A) STATE 165596; (B) BRUSSELS 5064; (C) BRUSSELS 1669

DATED 3/20/74

1. INVESTMENT CLIMATE -- WITH THE WORLD'S HIGHEST PER CAPITA LEVEL OF FOREIGN TRADE, BELGIUM MAINTAINS A VERY LIBERAL ATTITUDE TOWARDS FOREIGN INVESTMENT. CURRENT INVESTMENT POLICY IS BASED ON A 1970 LAW WHICH OFFERS INTEREST SUBSIDIES, CAPITAL GRANTS, AND SPECIAL TAX ADVANTAGES TO SPUR BOTH THE DEVELOPMENT OF TECHNOLOGICALLY- ADVANCED INDUSTRY, AND ECONOMIC REVIVAL IN DEPRESSED REGIONS. FOREIGN INVESTORS HAVE RESPONDED ENTHUSIASTICALLY, DRAWN BY THE COUNTRY'S FAVORABLE LOCATION, HIGHLY-DEVELOPED INDUSTRIAL AND INFRASTRUCTURAL BASE, AND ITS STATUS AS HOST TO HEADQUARTERS OF THE EC COMMISSION AND OF NATO. U.S. BUSINESS IN PARTICULAR HAS FOUND BELGIUM A CONVENIENT SITE FOR EXPORT PRODUCTION AIMED AT THE REST OF THE EC TARIFF AREA PLUS OTHER GROWING MARKETS IN EASTERN EUROPE AND THE MIDDLE EAST. ABOUT 1600 U.S.

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PAGE 02 BRUSSE 06836 291708Z

FIRMS ARE CURRENTLY IN BELGIUM,AND NEW AMERICAN INVESTMENT

IN 1974 WAS BF 12.3 BILLION (U.S. DOLS 31 MILLION), MORE THAN DOUBLING THAT OF 1973. U.S. INVESTORS BENEFIT FROM U.S.-BELGIAN FCN AND DOUBLE-TAXATION TREATIES.

CURRENT ECONOMIC CONDITIONS HAVE SHADOWED PROSPECTS, HOWEVER. INDUSTRIAL ACTIVITY AND FOREIGN INVESTMENT (INCLUDING U.S.) HAS DROPPED SHARPLY SINCE LATE-1974. THE GNP GROWTH RATE WILL SLIP TO ZERO OR BELOW THIS YEAR. MEANWHILE INFLATION, AT A CURRENT ANNUAL RATE OF 12.5 PERCENT, IS ABOVE THE OECD AVERAGE. SINCE MOST WAGES ARE TIED TO THE PRICE INDEX IN BELGIUM, RISING PRICES HAVE TRIGGERED AN UPWARD SPIRAL OF LOCAL OPERATING COSTS WHICH ARE NOW AMONG THE HIGHEST IN EUROPE. ALTHOUGH BELGIUM'S DEPENDENCE ON INTERNATIONAL MARKETS LIMITS ITS ROOM FOR MANEUVER, THE GOVERNMENT IS RESPONDING WITH TEMPORARY PRICE CONTROLS AND INVESTMENT BENEFITS, AS WELL AS STIMULATIVE MONETARY AND FISCAL POLICIES. SEVERE BUDGET PRESSURES HAVE ALSO CAUSED THE GOVERNMENT TO RETREAT SOMEWHAT FROM VERY LENIENT TAX POLICIES OF FORMER YEARS. OVERALL CORPORATE TAXES ARE UP (TO A BASIC 48 PERCENT), FOREIGN EXECUTIVE TAX BRAKS HAVE BEEN THREATENED, AND A 5 PERCENT VAT IS STILL ASSESSED ON CAPITAL GOODS, DESPITE EARLIER OFFICIAL PROMISES TO ELIMINATE IT IN PHASES BY 1976.

SOME OF THESE CURRENT DIFFICULTIES WILL EASE WHEN THERE IS GENERAL ECONOMIC REVIVAL IN EUROPE. RESOLUTION OF OTHERS, SUCH AS THE INDEXATION PROBLEM (AND ADMINISTRATIVE PROBLEMS ARISING FROM GROWING REGIONAL AUTONOMY) WILL DEPEND ON INTERNAL POLITICAL FACTORS. THE UNCERTAINTIES DO RENDER BELGIUM'S INVESTMENT CLIMATE MORE PROBLEMATIC THAN IN THE RECENT PAST. THEY SHOULD NOT DISGUISE THE FACT, HOWEVER, THAT BELGIUM CONTINUES TO OFFER THE INVESTMENT ADVANTAGES OF A DEVELOPED AND WELL-RUN FREE-MARKET ECONOMY, BOASTING A PRODUCTIVE AND RELATIVELY DISCIPLINED WORKING FORCE, PLUS A REMARKABLY LOW LEVEL OF PUBLIC OPPOSITION TO FOREIGN BUSINESS ACTIVITIES.

## 2. INVESTMENT STATISTICS--

A. U.S. AND BELGIAN DIRECT INVESTMENT FIGURES PUBLISHED IN UNCLASSIFIED

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PAGE 03 BRUSSE 06836 291708Z

### SURVEY OF CURRENT BUSINESS.

B DIRECT 1974 INVESTMENT IN BELGIUM BY ALL COUNTRIES (BOOK VALUE IN CURRENT PRICES AT YEAR AND):

- (1) TOTAL, INCLUDING U.S . -- BF 24,384 MILLION
- (2) FRANCE -- BF 4,620 MILLION
- (3) NETHERLANDS -- BF 4,449 MILLION
- (4) U.K. -- BF 557 MILLION
- (5) JAPAN -- BF 555 MILLION

3 SEE REFTEL (B) FOR ADDITIONAL INFORMATION ON  
INVESTING IN BELGIUM.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, FOREIGN INVESTMENTS, ECONOMIC DATA, ECONOMIC ESTIMATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t1975079/aaaaaiei.tel  
**Line Count:** 119  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 165596, 75 BRUSSELS 5064, 75 BRUSSELS 1669  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** hartledg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 FEB 2003 by ThomasVJ>; APPROVED <03 FEB 2004 by hartledg>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREIGN INVESTMENT CLIMATE AND STATISTICS -- BELGIUM  
**TAGS:** EFIN, EIND, EINV, BE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006